



*Teachers' Retirement System  
of the State of Kentucky*

**The 64th Comprehensive  
Annual Financial Report**

**A Component Unit of the Commonwealth of Kentucky  
Fiscal Year Ended June 30, 2004**

Kentucky Teachers' Retirement System  
479 Versailles Road  
Frankfort, Kentucky 40601-3800

**GARY L. HARBIN  
Executive Secretary**

*This report was printed on recycled paper.*



This report was prepared by the Teachers' Retirement System staff.

KENTUCKY TEACHERS' RETIREMENT SYSTEM

---

---

INTRODUCTORY SECTION

---

Chairperson's Letter .....	2
Letter of Transmittal .....	3
Board of Trustees .....	7
Administrative Staff and Professional Consultants .....	8
Organizational Chart .....	9
GFOA Certificate of Achievement .....	10
PPCC Achievement Award .....	11

---

FINANCIAL SECTION

---

Independent Auditor's Report.....	14
Management's Discussion & Analysis .....	15
<b>Basic Financial Statements</b>	
Statement of Plan Net Assets .....	19
Statement of Changes in Plan Net Assets .....	20
Notes to Financial Statements .....	21
<b>Required Supplemental Information</b>	
Schedule of Funding Progress .....	32
Schedule of Employer Contributions .....	33
Notes to Required Supplemental Information .....	34
Supporting Schedules .....	37
Independent Auditor's Report on Internal Control & Compliance .....	39

---

INVESTMENT SECTION

---

Investment Overview .....	42
Distribution of Investments .....	48
Investment Portfolio Growth .....	49
Investment Income Growth .....	49
Total Return on Investments .....	50
Investment Summary .....	51
Contracted Investment Management Expenses .....	51
Transaction Commissions .....	52
Ten Largest Stock Holdings Ranked by Market Value .....	54
Top Ten Fixed Income Holdings .....	54
Schedule of Investments .....	55

## TABLE OF CONTENTS

---

### ACTUARIAL SECTION

---

Actuary's Certification Letter .....	58
Summary of Principal Results .....	59
Membership Data .....	60
Assets .....	61
Comments on Valuation .....	62
Contributions Payable Under the System .....	62
Comments on Level of Funding .....	64
Analysis of Financial Experience .....	64
Accounting Information .....	65
Results of the Valuation Prepared as of June 30, 2004 .....	67
Solvency Test .....	67
Actuarial Value of Assets .....	68
Summary of Receipts and Disbursements .....	68
Outline of Actuarial Assumptions and Methods .....	70
Summary of Main System Provisions as Interpreted for Valuation Purposes .....	72
Schedule of Active Member Valuation Data .....	75
Schedule of Retirants, Beneficiaries, and Survivors Added to and Removed from Rolls .....	75

### STATISTICAL SECTION

---

Growth in Annuitants .....	78
Growth in Service Retirement .....	78
Average Benefit Payment .....	79
Average Benefit Payment (All Retirees) .....	79
Average Sick Leave Payment. ....	80
Summary of Personal Check Payments .....	80
Summary of Revenue by Source .....	81
Summary of Expenses by Type .....	82
Schedule of Benefit Expenses by Type .....	83
Summary of State Match and Supplemental Appropriations .....	83
Summary of Retiree Sick Leave Payments .....	84
Funding of Additional Payments .....	84
Geographical Distribution of Retirement Payments Worldwide .....	85
Geographical Distribution of Retirement Payments Statewide. ....	86
School Districts Electing to Pay for Sick Leave .....	89
Schedule of KTRS Annuitants by Type of Benefit .....	93
Distribution of Active Contributing Members .....	93
KTRS Schedule of Participating Employers .....	94

This page intentionally left blank.